

State of the Commonwealth

February 4, 2009

Governor Steven L. Beshear

Mr. President, Mr. Speaker, distinguished members of the Kentucky General Assembly, Lt. Governor Mongiardo, Constitutional officers, honorable members of the Court of Justice, honored guests, including Kentucky's First Lady and my fellow Kentuckians ...

I come before you for the second time as your governor to report on the state of our Commonwealth.

Kentucky faces economic challenges as steep and as stubborn as any in its history, created by a global crisis that has shaken the foundation of the entire nation's financial health.

Here in state government we are confronted with a mid-year shortfall of almost half a billion dollars – on top of cuts just last year of more than \$430 million.

This situation is no mere bump in the road.

It represents a threat that jeopardizes the fundamental function of government itself: to protect – both short term and long term – the quality of life of our citizens.

Short term, government lends help to those in dire need. It rescues, and it protects.

Long term, government oversees the basic societal infrastructure that enables Kentuckians to pursue a more secure and rewarding future for themselves and for their children. Infrastructure such as health care, education, public safety and roads.

Now more than ever, the role of government is critical.

Tonight, as we gather here, Kentucky is digging out from the worst natural disaster in its modern history.

Just 4½ months after a ferocious windstorm left 600,000 families and businesses without power, snow and ice storms slammed most of the state.

That combination knocked out power to almost 800,000 families and businesses, cut off drinking water to more than 200,000 families and left many without basic necessities like food and heat.

Impassable roads and disrupted communications systems separated entire communities from the rest of our state.

And more than 7,000 Kentuckians fled their homes to survive at shelters.

These horrific storms have cost at least 27 Kentuckians their lives.

So far 96 counties and 74 cities have declared states of emergency.

I quickly sought and obtained an emergency disaster declaration from the president of the United States, setting in motion massive federal assistance for our state.

Here with us tonight are the federal and state officials who are helping me lead our relief efforts. I ask them to stand as I introduce them, and then I ask you to join with me in showing our appreciation for their hard work so far.

* Nancy Ward, acting administrator of the Federal Emergency Management Agency.

* Brigadier General John Peabody, regional division commander of the U.S. Army Corps of Engineers.

* Major General Ed Tonini, Kentucky's adjutant general.

* And Brigadier General John Hetzel, director of Kentucky's Division of Emergency Management.

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I've ordered the largest call-up in history of the Kentucky National Guard – some 4,600 troops – to clear debris, deliver food and water and to literally walk door to door in hard-hit areas to find people in need of help.

While we are making significant progress, we still have much to do, and for many the hardship continues.

I pledge to Kentucky that we will not rest until the last home has power, the last road is passable and the last family is safe.

I also want to say that I have never been more proud to be a Kentuckian.

Kentuckians have a reputation for resiliency in tough times, and for looking out for one another.

That spirit endures. I have seen it with my own eyes.

I return again and again to the image of a 74-year-old woman in Paducah heating up cans of soup with a candle.

To examples of neighbors helping neighbors, friends helping friends and strangers helping strangers – without regard to their own suffering.

In my hometown of Dawson Springs, before the arrival of the National Guard, two firefighters walked five miles through snow and ice, knocking on doors, tracking down those who needed help.

In Ohio County, the chairwoman of the school board turned a middle school into a shelter.

And in Murray, the campus radio station was the only functional public voice for several days. So the students and staff kept broadcasting around the clock, taking turns sleeping on the floor, so citizens could get their latest news about relief efforts.

Likewise, our public servants have performed beyond the call of duty, joining with National Guard soldiers and volunteers from organizations like the American Red Cross to reduce hardship.

I'm talking about road crews ... state troopers ...
forestry workers ...
agricultural officials ...
public health workers ...
conservation officers ...
emergency and disaster relief folks ...
water officials.

The list goes on and on.

It's become a cliché over the years in some quarters to criticize public employees as being lazy and overpaid.

It's an unfair criticism, and one I've never agreed with.

And now, after visiting many of the counties hit by these storms and seeing firsthand the dedication of our public employees, I feel even more pride.

There are literally thousands of unsung heroes.

If we had time, I could tell you dozens of stories like this one: Two Guardsmen going door to door in Hardinsburg last Saturday came across an elderly couple who appeared dizzy and confused.

Suspecting a problem, they investigated and found the home was filled with carbon monoxide – a level that was twice the lethal dose.

This visit, without a doubt, saved two lives.

So, for all those workers – from the National Guard to our public health nurses to our road crews – who in ways big and small have worked to reduce suffering caused by these storms, I ask you to rise and give them the ovation they deserve.

Let me also acknowledge the efforts of you, our state legislators.

Senator Dan Kelly, I hear, opened his house to three families. And Rep. Brent Yonts personally helped coordinate the emergency recovery in his home county. All of you have been involved in relief efforts in your

home districts.

We are Kentuckians. When our neighbor is in need, we always respond. That is part of what makes this state so special.

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But the storm and its aftermath also remind us of the magnitude of the mission that calls us here to this place, tonight and for the next several weeks.

Kentuckians have sent us here to represent them, to ensure that they have a government that uses their tax dollars wisely and responsibly – not only to respond to the crisis of the moment, but to secure a future that is brighter than the present.

Our challenge is complex.

We must and we will solve the budget challenge before us, but that solution must allow us to continue making progress, however measured, on the vexing problems that hold Kentucky back.

Even before the January storms, corrosion in the national economy was inflicting pain throughout the Commonwealth.

People have lost jobs and homes.

Parents struggle to feed, clothe and educate their children.

Our senior citizens are skipping doctor's visits and are leaving prescriptions unfilled.

Business owners are delivering pink slips and shuttering doors.

Social service providers are overwhelmed.

Across this state – on factory floors, in college classrooms and in crowded, local health departments – I see faces lined with anxiety and fear. I hear voices shaking with frustration and confusion. And I receive letters and e-mails virtually every day underlined with desperation and dismay.

A woman from Louisville writes, “I am a single mother of five who works everyday. I just lost my home. I can't feed my kids. I'm two months behind in my rent. ... I need help.”

Another woman, from Goshen, says, “Please, Governor Beshear, don't let our loved ones down. If there is a necessity for a cut, don't make the innocent suffer.”

And says a woman from Bracken County about her adult son, “He got laid off and lost his home and his car broke down. He has a 4-year-old son and another on the way. Right now with no jobs, he has a hard time getting to the doctor and other places.”

My friends, these people are Kentuckians – these are the people who made me governor and these are the people who made you legislators.

And it is in their stories, in their experiences, in their fears and in their hopes that we can see the state of our Commonwealth.

Those stories and those pleas – not blind devotion to political ideology or concern for political futures – must be our motivation.

Their will must be our strength.

Their need, our justice.

How will we respond?

Kentuckians are tired of excuses.

They want answers, and they need help.

Yes, these are tough times.

We gather for this, the 2009 session of the Kentucky General Assembly, confronted with a harsh reality: By June 30, we must fill a \$456 million hole in the state budget.

And we must do so knowing that on the horizon looms a new fiscal year that promises to be even more difficult.

How we handle this immediate, short-term budget problem will dictate our long-term ability to position our state for future success.

As you know, my proposal for filling this \$456 million shortfall combines \$150 million in additional spending cuts, limited transfers of funds, and a proposal for new revenue from increased taxes on tobacco.

This plan was not written in a vacuum. Nor is it perfect.

But it represents a clear-eyed recognition of the economic realities confronting our state and families across this Commonwealth.

Already this year we have reduced spending by more than \$430 million. Just like families, we have hacked

away at expenses. We've shrunk the state workforce by 2,000 employees, we've cut travel, we've reduced administrative costs by restructuring and we've conducted, day by day, examinations of efficiency and cost-effectiveness.

The people want a leaner government, and we are giving it to them.

But there comes a point when cutting programs and services starts a downward spiral from which recovery is too difficult and too steep.

There comes a point – if we slash too deep and without regard to the devastating impacts of those reductions – when we jeopardize state government's ability to expand our intellect and capacity and to reach out to the needy.

My friends, that is not survival – that is surrender!

And Kentuckians don't surrender.

That is why my proposal, even while cutting spending further, clearly articulates priorities for investment, priorities I believe everybody in this room and in this state shares with me.

- * Priorities like classroom teaching and learning – we must stretch the minds of a new generation of workers and leaders.

- * Priorities like higher education – these institutions and their imagination and intellect drive our economy in every corner of our state.

- * Priorities like basic health care for our most vulnerable populations – this is not only a moral obligation but one that carries economic return.

- * Priorities like public protection – without safety and security, there is no quality of life.

These are not partisan issues. This is not politics. This is common sense.

But to protect our priorities we need the targeted application of new revenue, which I propose we obtain by significantly increasing our tax on cigarettes and other tobacco products.

Currently we have a cigarette tax which is the fourth-lowest in the entire nation.

Yet the health toll of smoking is devastating.

Just last week a federal report named Kentucky No. 1 in deaths related to smoking – about 371 deaths out of every 100,000 adults age 35 and older.

We spend \$1.5 billion a year on health problems related to smoking, including \$487 million in Medicaid costs alone – a cost, ironically, that more than matches our current shortfall.

Employers here lose \$2.1 billion a year in worker productivity.

My friends, how many more statistics do we need before we do the right thing for Kentuckians?

Cities across the state, states across the nation, and nations across the world have implemented these health protections. Yet Kentucky lags behind.

The people of this state overwhelmingly support a significant increase in tobacco taxes.

You see, Kentuckians are not anti-tax. They are anti-unnecessary taxes.

Kentuckians are not anti-spending. They are anti-wasted spending.

They are not anti-government.

They are anti-poorly run government.

We need courageous leadership and visionary ideas to make transformational improvements to life in this state. Our resources may be limited but our vision doesn't have to be.

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This brings me to a broader point.

Our state motto says it succinctly: “United we stand, divided we fall.”

There is a time for political combat.

But that time is not now.

There is a time to stress partisan differences.

But that time is not now.

Now is the time to ignore party labels.

Now is the time to set aside rivalries between the House and the Senate and the executive and legislative branches.

Now is the time to bridge the gap between urban and rural, east and west, state and local and public and private.

And we have made a good start.

Building on the efforts of leaders like President Williams and Rep. Cherry, we came together in June to bring stability to the state's public pension system.

Together we protected the retirements of our police officers, our firefighters, our teachers and others. Together we provided relief to our beleaguered cities and counties.

Over the last few months, that spirit of cooperation and communication has solidified in the face of this budget shortfall.

Since December I have met numerous times with leaders of the House and Senate from both parties, as well as with other legislators with whom I've fostered individual relationships.

We have all reached across the aisle like never before because we know the stakes are too high for political games.

As I've said repeatedly, my budget plan is a starting point for discussion, not a take-it-or-leave-it fix.

And I am confident that, with the leadership of President Williams in the Senate and Speaker Stumbo in the House, we can reach agreement on a strategy for addressing this budget shortfall, as well as other budget problems that emerge.

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I'm also confident we can reach agreement on other initiatives I will bring forward, some during this session and some outside of it.

* One initiative relates to economic development. It's time we modernized and restructured our incentive programs to make them more responsive to today's economic needs and to give us flexibility to compete for new jobs.

We also need to support existing Kentucky businesses that seek to invest in their facilities and in the continued education of their workforce.

This includes extending job-creation incentives for the first time to small businesses, who are the primary generators of new jobs.

The bottom line is this – we need to be armed with 21st Century tools to compete against other states in a 21st Century world.

* The second initiative relates to energy issues.

This body, led by Rep. Adkins, Sen. Stivers and others, has made significant progress in this area, work that has brought Kentucky national recognition.

I released a comprehensive energy plan in November that sought to implement and expand those efforts. It remains one of my top priorities.

We need to continue to find ways to move the ball forward, particularly in the areas of energy production, renewables, alternative sources of energy and research and development.

New and exciting work is being done at our universities – particularly the University of Louisville, the University of Kentucky, and Eastern Kentucky University – and I look for them to continue to lead the way.

Our farmers too are stepping up to produce alternative crops with alternative uses. Their eyes, like ours, are focused on a new world.

This is an economic opportunity of immense proportions and one filled with cutting-edge innovation.

With President Obama determined to commit federal stimulus dollars to this area, Kentucky is in a unique position to continue to be a leader in this nation's energy strategy.

* It is also time to revisit the issue of nuclear power.

Kentucky must – in a bipartisan fashion – decide how aggressively to move forward on an energy source that already accounts for 20 percent of the nation's baseload electricity generation. Safety, of course, must be the top priority.

Senate Bill 13, Sen. Leeper's proposal, provides one vehicle for starting this dialogue.

* We also must figure out a way to rein in the astronomical costs of our prison system and to do so in a way that ensures the security of our Kentucky families.

Just yesterday, Justice and Public Safety Secretary J. Michael Brown met with the chairmen of the legislature's judiciary committees, Sen. Stivers and Rep. Tilley, for further discussion of what we can accomplish together on this issue.

* It is also time for a thorough review of the Kentucky Education Reform Act.

Kentucky impressed the nation in 1990 with its commitment to reshaping its school system, and the benefits for our children and our state have been significant and measurable.

But that was nearly two decades ago.

Let us now bring together education, business and legislative leaders to not only check our course and see if any corrective steering is necessary, but just as importantly to renew and re-energize our commitment to education.

* But it's critical that our children enter the K-12 system with minds prepared to do the work.

Next week I plan to unveil a task force on early childhood development and education that will streamline and strengthen our network of child services and programs to create better coordination, less duplication and more consistent and higher standards.

Children learn at warp speed, and the brain connections that enable that learning are built at very early ages.

Let's get them off to a good start.

These are tough times, but we cannot afford to stand still.

State government can and should be a beacon of hope and a tool for progress.

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When I realized the magnitude of the budget woes and the economic recession that confronted us in December 2007, I vowed two things.

First, I resolved to act quickly and decisively wherever I could to help families and businesses survive this economic crisis.

And second, I resolved to not only survive but to also position this state to move forward despite economic constraints.

Over the last year, we have done both.

In the area of education, we acted quickly to save our student loan program from bankruptcy. ... and we worked with university presidents to create a task force on access and affordability in the hope of increasing the number of graduates and reigning in tuition costs that have skyrocketed over the last 10 years.

In health care, we began an aggressive program to bring insurance to tens of thousands of uninsured children ...

we linked seniors and the poor to programs that help pay for prescription drugs ...
we worked out a deal to replace the archaic Eastern State Mental Health Hospital ...
and we have laid the groundwork for becoming a national leader in electronic health initiatives.

In the area of public safety, we have undertaken an analysis of the penal code to relieve pressure on our prisons ...

and we saved a new class of Kentucky State Police cadets because we need more officers in the field and on

the roads.

Regarding economic development, we worked with Ford to maintain its plants in Louisville. ...
we've begun significant work on Base Realignment at Fort Knox. ...
we went to San Diego to recruit researchers on the cutting-edge of fuel technology and to Japan to continue
our commitment to becoming the nation's leader in auto manufacturing. ...
and we furthered an Adventure Tourism program that will make Kentucky's considerable recreational
activities and attractions even more appealing.

In the area of transportation, we figured out a way to stretch our dollars and speed up construction timelines
with a new way of designing and building roads called Practical Solutions.

For our families, we created a web site to connect them to needed resources ...
We fought to keep gasoline prices low and punish predatory pricing. ...
With the help of the federal government we more than doubled a program to help pay for heat in the winter.

My friends, make no mistake. States across this nation are suffering severe financial difficulties. Some are in
far worse shape than we are.

But shared misery is no excuse for us to hide, and it is no reason to be paralyzed by fear.

We cannot control the global economy. We cannot choose the economic conditions in which we serve.
But we can define the manner in which we lead.

We can't pick the moment, but we can help shape and define the moment.

Kentuckians give us not only their tax money but also their trust.

Both are sacred investments.

We cannot and must not waste either one.

We must lead with integrity and with openness.

But we must also be tenacious.

Today's Kentuckians are but a few decades removed from ancestors for whom security – economic or
otherwise – did not exist, and for whom uncertainty and fear were constant companions.

But they persevered, and so will we.

They looked out for each other, and so will we.

They trudged onward, unbroken and unbowed, and so will we.

And if we do it together, we will surely succeed.

The winter storms of last week devastated our Kentucky communities. But Kentuckians from west to east responded with courage, resiliency and concern for their neighbors.

My friends, they have the right to expect no less of us.

Tonight, and in the weeks and months ahead, let us live up to their expectations.

Thank you, God bless you, and God bless Kentucky.